

or a member in public practice, this center provides exclusive member-only resources for the entire financial reporting process and timely and relevant news, guidance, and examples supporting the financial reporting process. Another important focus of the Financial Reporting Center is keeping those in public practice up to date on issues pertaining to preparation, compilation, review, audit, attestation, assurance, and advisory engagements. Certain content on the AICPA's websites referenced in this guide may be restricted to AICPA members only.

Select Recent Developments Significant to This Guide

Attestation Clarity Project

To address concerns over the clarity, length, and complexity of its standards, the ASB established clarity drafting conventions and undertook a project to redraft all the standards it issues in clarity format. The redrafting of SSAEs in SSAE No. 18 represents the culmination of that process.

The attestation standards are developed and issued in the form of SSAEs and are codified into sections. SSAE No. 18 recodifies the "AT" section numbers designated by SSAE Nos. 10–17 using the identifier "AT-C" to differentiate the sections of the clarified attestation standards (AT-C sections) from the attestation standards that are superseded by SSAE No. 18 (AT sections).

The AT sections in *AICPA Professional Standards* remain effective through April 2017, by which time substantially all engagements for which the AT sections were still effective are expected to be completed. The clarified attestation standards found in AT-C sections are effective for practitioners' reports dated on or after May 1, 2017.

TABLE OF CONTENTS

Chapter		Paragraph
1	Overview and Introduction	.01-.24
	Scope and Purpose	.01-.08
	GAAP for State and Local Governments	.09-.14
	Applicable Auditing Standards and Requirements	.15-.20
	Guidance in Other AICPA Audit and Accounting Guides and Statements of Position	.21-.22
	Other Sources of Guidance	.23
	Organization of This Guide	.24
2	Financial Reporting	.01-.97
	Introduction and Overview	.01-.06
	Historical Perspective	.02-.06
	Governmental Financial Statements	.07-.53
	Management's Discussion and Analysis	.09-.10
	Government-Wide Financial Statements	.11-.25
	Fund Financial Statements	.26-.44
	Notes to the Financial Statements	.45-.48
	Required Supplementary Information Other Than MD&A	.49-.52
	Special-Purpose Governments	.53
	Other Financial Reporting Issues	.54-.59
	Other Information and Supplementary Information	.54
	Prior-Period Comparative Financial Information	.55-.56
	Government Combinations and Disposals of Government Operations	.57-.59
	Fair Value Measurement	.60-.85
	General Principles of Fair Value	.61-.68
	Valuation Techniques	.69-.71
	Inputs to Valuation Techniques	.72-.75
	Fair Value Hierarchy	.76-.79
	Guidance for Fair Value Measurement in Special Circumstances	.80-.85
	Auditing Considerations	.86-.96
	Compliance Requirements	.87
	Fund and Activity Classifications	.88
	Major Funds	.89
	Restricted Assets	.90
	Notes to the Financial Statements	.91-.92
	Required Supplementary Information, Supplementary Information, and Other Information	.93-.94
	Other Financial Reporting Considerations	.95
	Accounting and Financial Reporting Alternatives	.96
	Appendix A—Accounting and Financial Reporting Alternatives in GASB Statement No. 34, as Amended	.97

Chapter		Paragraph
3	The Financial Reporting Entity	.01-.39
	Introduction	.01-.03
	GASB's Financial Reporting Entity Standards	.04-.29
	Definition of the Financial Reporting Entity	.05-.12
	Financial Statement Presentation	.13-.22
	Disclosures	.23-.25
	Other Financial Reporting Requirements	.26-.29
	Auditing Considerations	.30-.39
	Reporting Entity	.30
	Internal Control Over Financial Reporting	.31
	Audit Procedures	.32-.33
	Separate Component Unit Auditor	.34
	Presentation of Less Than a Complete Financial Reporting Entity	.35
	Departures of Component Unit Information From GAAP	.36
	Nongovernmental Component Unit Use of Private-Sector Standards	.37
	Changes in the Financial Reporting Entity	.38
	Other Component Unit Auditing Considerations	.39
4	General Auditing Considerations	.01-.138
	Introduction	.01-.02
	General Principles and Responsibilities	.03-.29
	Overall Objectives	.03
	Terms of Engagement	.04-.08
	Laws and Regulations	.09-.22
	Auditor's Communication With Those Charged With Governance	.23-.27
	Communicating Internal Control Related Matters	.28-.29
	Auditor's Risk Assessment and Response to Assessed Audit Risk	.30-.66
	Planning an Audit	.30-.34
	Audit Strategy	.35-.40
	Understanding the Entity, Its Environment, and Its Internal Control	.41-.66
	Materiality in Planning and Performing an Audit	.67-.93
	GASB Guidance to Preparers on Materiality Determinations	.69-.70
	Auditor Materiality Determinations	.71-.87
	Performing Further Audit Procedures	.88-.93
	Related Parties and Transactions	.94
	Group Audit Engagements	.95-.121

Chapter		Paragraph
4	General Auditing Considerations—continued	
	Other Audit Considerations	.122-.127
	Subcontracting Arrangements	.122
	Independence Requirements	.123-.127
	Required Supplementary Information, Supplementary Information, and Other Information	.128-.137
	Audit Scope Includes Required Supplementary Information or Supplementary Information	.131-.132
	Required Supplementary Information	.133
	Supplementary Information	.134-.136
	Other Information	.137
	Appendix A—Consideration of Fraud in a Financial Statement Audit	.138
5	Investments, Certain Equity Interests, and Derivatives	.01-.131
	Part I—Accounting, Financial Reporting, and Auditing Considerations for Investments and Certain Equity Interests	.04-.05
	Nature of Transactions	.06-.17
	Compliance Requirements and Deposit and Investment Policies	.06-.10
	Deposit and Investment Risk	.11
	Internal Investment Pools	.12
	Reverse Repurchase Agreements	.13
	Securities Lending Transactions	.14
	Investment Arrangements, Including External Investment Pools	.15-.17
	Accounting and Financial Reporting Considerations	.18-.55
	General Recognition Standards	.18-.55
	Auditing Considerations for Investments and Certain Equity Investments	.56-.99
	Risk Assessment	.57
	Overall Considerations Relating to Investments and Certain Equity Interests	.58-.59
	Identification of Material Classes of Transactions, Account Balances, and Disclosures	.60-.63
	Identification of Significant Risks Related to Valuation	.64-.67
	Determining Audit Strategy for Testing Investments at Fair Value	.68-.70
	Management's Specialist and the Use of Others in Fair Value Measurement	.71-.99
	Part II—Accounting, Financial Reporting, and Auditing Considerations for Derivative Instruments	.100
	Nature of Transactions	.100-.113

Chapter		Paragraph
5	Investments, Certain Equity Interests, and Derivatives—continued	
	Accounting and Financial Reporting Considerations—	
	Derivative Instruments .....	.114-.120
	Auditing Considerations—Derivative Instruments .....	.121-.131
6	Revenues and Receivables .....	.01-.102
	Introduction .....	.01-.02
	Nature of Transactions .....	.03-.09
	Accounting and Financial Reporting Considerations .....	.10-.88
	Accounting .....	.11-.68
	Resource Flows Statement Classifications .....	.69-.85
	Financial Position Statement Classifications .....	.86-.87
	Disclosures .....	.88
	Auditing Considerations .....	.89-.102
	Confirmations .....	.94-.97
	Estimates .....	.98-.99
	Tax Abatement Disclosures .....	.100
	Confidential Records .....	.101
	Other Auditing Procedures .....	.102
7	Capital Assets .....	.01-.91
	Nature of Transactions .....	.01-.09
	Capital Asset Management .....	.03-.08
	Compliance Considerations .....	.09
	Accounting and Financial Reporting Considerations .....	.10-.74
	Accounting and Financial Statement Presentation—	
	Government-Wide Financial Statements .....	.13-.30
	Accounting and Financial Statement Presentation—	
	Governmental Funds .....	.31-.32
	Accounting and Financial Statement Presentation—	
	Proprietary Funds .....	.33
	Accounting and Financial Statement Presentation—	
	Fiduciary Funds .....	.34
	Capital Leases .....	.35-.38
	Capital Asset Impairment .....	.39-.44
	Modified Approach for Infrastructure Assets .....	.45-.53
	Specified Conditions Approach for Internally Generated	
	Intangible Assets—Other Than Computer Software .....	.54-.55
	Specified Conditions Approach for Internally Generated	
	Computer Software .....	.56-.59
	Interfund Movements and Intra-Entity Transfers of Capital	
	Assets .....	.60-.62
	Capital Assets Used in Landfills .....	.63
	Capital Assets Used in Pollution Remediation .....	.64
	Service Concession Arrangements .....	.65-.70
	Disclosures .....	.71-.72
	Management's Discussion and Analysis .....	.73-.74

Chapter		Paragraph
7	Capital Assets—continued	
	Auditing Considerations .....	.75-.91
	Capital Asset Records .....	.78-.80
	Ownership of Infrastructure Assets .....	.81
	Useful Lives of Infrastructure Assets .....	.82
	Modified Approach for Infrastructure Assets .....	.83-.91
8	Expenses or Expenditures and Liabilities .....	.01-.126
	Introduction .....	.01
	Nature of Transactions .....	.02-.10
	Accounting and Financial Reporting Considerations .....	.11-.114
	General Recognition Standards .....	.11-.17
	Specific Recognition and Financial Reporting Standards .....	.18-.60
	Expenses Resulting From Previously Incurred	
	Disbursements .....	.61-.65
	Liabilities .....	.66-.99
	Resource Flows Statement Classifications .....	.100-.107
	Financial Position Statement Classifications .....	.108-.109
	Disclosures .....	.110-.112
	Management's Discussion and Analysis .....	.113-.114
	Auditing Considerations .....	.115-.126
9	Interfund, Internal, and Intra-Entity Activity and Balances .....	.01-.35
	Introduction .....	.01
	Nature of Transactions .....	.02-.05
	Nature of Interfund Activity and Balances .....	.02-.03
	Nature of Internal Activity and Balances .....	.04
	Nature of Intra-Entity Activity and Balances .....	.05
	Accounting and Financial Reporting Considerations .....	.06-.35
	Reporting Interfund Activity and Balances .....	.06-.15
	Reporting Internal Balances and Activity .....	.16-.20
	Reporting Intra-Entity Activity and Balances .....	.21-.26
	Differing Year Ends .....	.27
	Auditing Considerations .....	.28-.35
10	Net Position and Financial Statement Reconciliations .....	.01-.31
	Nature of Transactions .....	.01-.04
	Financial Reporting Considerations .....	.05-.24
	Government-Wide Net Position .....	.06-.08
	Proprietary Fund Net Position .....	.09
	Governmental Fund Balances .....	.10-.18
	Reconciliations—Net Position and Changes in Net Position .....	.19-.21
	Fiduciary Fund Net Position .....	.22
	Disclosures .....	.23-.24
	Auditing Considerations .....	.25-.31

Chapter		Paragraph
11	The Budget	.01-.26
	Introduction	.01-.03
	Budgetary Processes	.04-.11
	Types of Budgets	.04-.06
	Legal Level of Budgetary Control	.07-.08
	Encumbrances	.09-.10
	Budgetary Basis	.11
	Financial Reporting Considerations	.12-.16
	Budgetary Comparison Schedules or Statements	.12-.13
	Disclosures	.14-.16
	Auditing Considerations	.17-.26
	Internal Control Considerations	.18
	Presentation of Budgetary Comparison Information	.19-.21
	Audit Support for Financial Statement Assertions	.22-.24
	Budgetary Compliance Considerations	.25-.26
12	Special-Purpose and State Governments	.01-.124
	Introduction	.01-.03
	Financial Reporting Requirements for Special-Purpose Governments	.04-.09
	Compliance Requirements	.10
	Specific Guidance for Special-Purpose Governments	.11-.89
	Hospitals and Other Health Care Providers	.11-.13
	School Districts	.14-.20
	Airports	.21-.23
	Public Housing Authorities	.24-.27
	Financing Authorities	.28-.35
	Transportation Systems	.36-.37
	Utilities	.38-.39
	Postemployment Benefit Plans	.40-.45
	Public Entity Risk Pools	.46-.50
	External Investment Pools	.51-.58
	Colleges and Universities	.59-.89
	Specific Guidance for Indian Tribes	.90-.94
	Specific Guidance for State Governments	.95-.124
	Nature and Organization of State Governments	.96-.99
	Specialized Reporting Requirements	.100
	Reporting Entity Definition	.101
	Separate Fund, Departmental, Agency, and Program Audits	.102
	Medicaid	.103-.105
	Food Stamps	.106
	Unemployment Compensation Benefit Plans	.107
	Lotteries	.108-.113
	Escheat Property	.114-.117
	State Tuition Programs	.118-.119

Chapter		Paragraph
12	Special-Purpose and State Governments—continued	
	Multistate Legal Settlements, Including Tobacco Settlement Resources	.120-.124
13	Defined Benefit Pension Plans (Plan & Employer Considerations)	.01-.183
	Introduction	.01-.06
	Nature of Transactions	.07-.15
	Types of Defined Benefit Pension Plans	.07-.08
	Number of Defined Benefit Pension Plans	.09-.10
	Relevance of Census Data	.11-.15
	Part I—Plan Accounting, Financial Reporting, and Auditing	
	Considerations for Defined Benefit Pension Plans Administered Through a Qualifying Trust	.16-.95
	Accounting and Financial Reporting Considerations	.16-.43
	Auditing Considerations for the Pension Plan	.44-.95
	Part II—Employer Accounting, Financial Reporting, and Auditing	
	Auditing Considerations: Single and Agent Employers	.96-.142
	Accounting and Financial Reporting Considerations	.96-.108
	Auditing Considerations for Single and Agent Employers	.109-.142
	Part III—Employer Accounting, Financial Reporting, and Auditing	
	Auditing Considerations: Cost-Sharing Employers	.143-.180
	Accounting and Financial Reporting Considerations	.143-.165
	Auditing Considerations for Cost-Sharing Employers	.166-.180
	Appendix A—Governmental Employer Participation in Agent Multiple-Employer Plans: Issues Related to Information for Employer Reporting	.181
	Appendix B—Governmental Employer Participation in Cost-Sharing Multiple-Employer Plans: Issues Related to Information for Employer Reporting	.182
	Appendix C—Governmental Employer Participation in Single-Employer Plans: Illustrative Schedule of Pension Amounts and Illustrative Auditor's Report	.183
14	Defined Benefit Postemployment Benefits Other Than Pensions (Plan & Employer Considerations)	.01-.218
	Introduction	.01-.05
	Nature of Transactions	.06-.16
	Types of Defined Benefit OPEB Plans	.06-.08
	OPEB Financing (Risk Management) and Administrative Arrangements	.09-.11
	Number of Defined Benefit OPEB Plans—OPEB Plans Administered Through a Qualifying Trust	.12-.13
	Relevance of Census Data	.14-.16
	Part I—Plan Accounting, Financial Reporting, and Auditing	
	Considerations for Defined Benefit OPEB Plans Administered Through a Qualifying Trust	.17-.102
	Accounting and Financial Reporting Considerations	.17-.47

Chapter	Paragraph
14	Defined Benefit Postemployment Benefits Other Than Pensions (Plan & Employer Considerations)—continued
	Auditing Considerations for OPEB Plans Administered Through a Qualifying Trust 48-102
	Part II—Employer Accounting, Financial Reporting, and Auditing Considerations for Defined Benefit OPEB Plans Administered Through a Qualifying Trust: Single and Agent Employers 103-149
	Accounting and Financial Reporting Considerations 103-115
	Auditing Considerations for Single and Agent Employers Administered Through a Qualifying Trust 116-149
	Part III—Employer Accounting, Financial Reporting, and Auditing Considerations for Defined Benefit OPEB Plans Administered Through a Qualifying Trust: Cost-Sharing Employers 150-187
	Accounting and Financial Reporting Considerations 150-172
	Auditing Considerations for Cost-Sharing Employers 173-187
	Part IV—Employer Accounting, Financial Reporting, and Auditing Considerations for Defined Benefit OPEB Plans That Are Not Administered Through a Qualifying Trust 188-218
	Accounting and Financial Reporting Considerations 188-201
	Auditing Considerations for Employers When the Plan Is Not Administered Through a Qualifying Trust 202-218
15	Concluding the Audit 01-50
	Introduction 01
	Misstatements and Audit Adjustments 02-07
	Litigation, Claims, and Assessments 08-10
	Written Representations 11-15
	Related-Party Transactions 16-19
	Going Concern Considerations 20-31
	Subsequent Events 32-42
	Analytical Procedures 43
	Communicating With Those Charged With Governance 44-46
	Audit Documentation 47-50
16	Audit Reporting 01-103
	Introduction 01-03
	Materiality 04-11
	Specific Issues in Reporting on the Audits of Governmental Financial Statements 12-62
	Basic Financial Statements 12
	The Auditor's Report 13-35
	Special Situations 36-62
	Required Supplementary Information, Supplementary Information, and Other Information 63-86
	Audit Scope Includes Required Supplementary Information, Supplementary Information, or Other Information 65

Chapter	Paragraph
16	Audit Reporting—continued
	Required Supplementary Information 66-73
	Supplementary Information 74-79
	Other Information 80-86
	Other Financial Presentations 87-102
	Individual Fund Financial Statements 87-90
	Departmental, Agency, and Program Financial Statements 91
	Special-Purpose Regulatory Presentations 92
	Summary Financial Information 93-102
	Appendix A—Illustrative Auditor's Reports 103
17	Financial Statements Prepared in Accordance With a Special-Purpose Framework 01-19
	Accounting and Financial Reporting Considerations 01-06
	Auditing Considerations 07-17
	Auditor's Reports 15-17
	Appendix A—Illustrative Auditor's Reports 18
	Appendix B—Overview of Reporting Requirements for Special-Purpose Financial Statements 19
18	Auditor Involvement With Municipal Securities Filings 01-40
	Introduction 01-06
	Auditor Involvement With Municipal Securities Offerings 07-30
	Conditions Affecting Auditor Involvement 08-20
	Auditor Responsibilities When Involved in an Official Statement 21-27
	Engagement Terms Regarding Auditor Involvement 28-29
	Continuing Disclosure Documents 30
	Using <i>Government Auditing Standards</i> Reports and References in the Official Statement 31
	Letters for Underwriters and Other Requesting Parties 32-38
	References to the Auditor as an "Expert" 38
	Attestation Engagements Related to Municipal Securities Issuances 39-40
	Supplement
	Statement of Position 98-2
	Appendix
	A Acronyms and Abbreviations
	B Category B Guidance
	C Overview of Statements on Quality Control Standards
	D Schedule of Changes Made to the Text From the Previous Edition
	Index of Pronouncements and Other Technical Guidance
	Subject Index